



Councilmember Brian Calhoun, Ph.D.

Councilmember Henry T. Perea

Fresno City Council

COUNCIL AGENDA ITEM

DATE: January 30, 2007

TO: Fresno City Council

FROM: Councilmember Brian Calhoun
Councilmember Henry T. Perea

AGENDA ITEM: Recommend City of Fresno staff evaluate and consider whether a local EITC might assist in addressing Fresno's poverty challenges.
- Councilmembers Brian Calhoun and Henry T. Perea

Background

In recent years, the City Council has on several occasions dealt with the issue of poverty in the City of Fresno. Councilmember Perea introduced the issue of tax credits and Councilmember Sterling partnered with Community leaders to host the "Worlds Apart, Futures Together" conference. The desire of the Council has been to identify opportunities to assist the city's lower income working families.

One possible consideration to alleviate the problems of poverty in Fresno might be for the City to create its own version of the Earned Income Tax Credit (EITC). The EITC is a highly successful federal program that supplements the earnings of low-wage workers through the tax code by up to \$4,500 a year. Research has shown that the tax credit promotes work and reduces poverty. Nineteen states, the District of Columbia and three local jurisdictions now offer programs that supplement the federal EITC.

Denver, Colorado was the first city to pilot a local EITC, beginning in 2002. More recently, the City of San Francisco launched the Working Families Credit (WFC) in 1995.

The WFC provides a local match (10 percent in 2005) to the federal EITC for families with children. The WFC is funded through a unique public-private partnership that draws on public funds, corporate dollars and philanthropic contributions.

In 2005, the WFC provided an extra \$220 on average to San Francisco's working families. Beyond helping to alleviate the high costs of living in San Francisco, the publicity around the WFC may also have helped to raise awareness and participation in the federal EITC, thereby boosting family well-being as well as the amount of federal money circulating in local neighborhoods.

In addition, San Francisco and partner financial institutions have used the WFC as a vehicle to help low-income families access basic financial services like bank accounts, helping to put them on firmer financial footing over the long term.

Local EITCs offer a new role for local government. Complex, far-reaching social problems like poverty have traditionally been the subject of federal or state policy. A local EITC program offers a way for Fresno to address poverty in a way that is tailored to the needs of area residents and supports work. Denver and San Francisco offers examples in which local businesses, philanthropies, and government, working on a tremendously compressed timeframe, created programs that puts money in the pockets of thousands of working families to help them make ends meet.

Action

Recommend City of Fresno staff evaluate and consider whether a local EITC might assist in addressing Fresno's poverty challenges.